# HQDA Retirement Services Office
# Reserve Component Survivor Benefit Plan (RCSBP)
# Soldier and Spouse Brief

21 April 2014

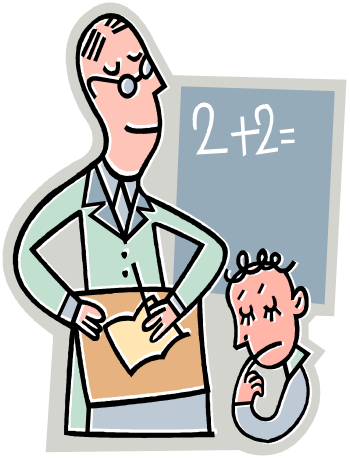
# Our Goal

***CHANGE….***

**MISINFORMATION you may have heard on RCSBP from *MISINFORMED* People**

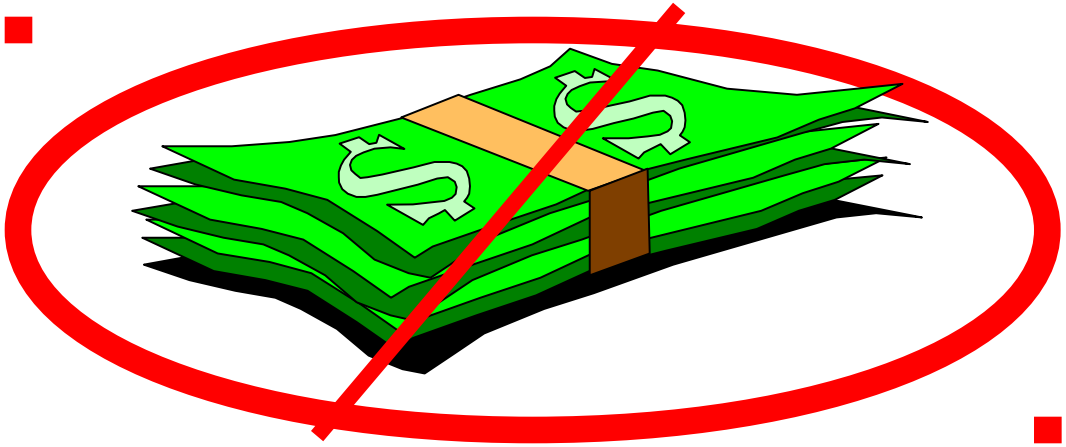
***INTO…..* INFORMATION from *INFORMED Experts***

# PURPOSE




- **Break RCSBP down into manageable understandable blocks**
  - **Allows RC Soldiers to make informed decisions on their individual RCSBP elections**

# THE BOTTOM LINE
# Without RCSBP



There is no annuity if the RC Soldier dies prior to receipt of retired pay

# *What Are The Risks?*

***No RCSBP :***

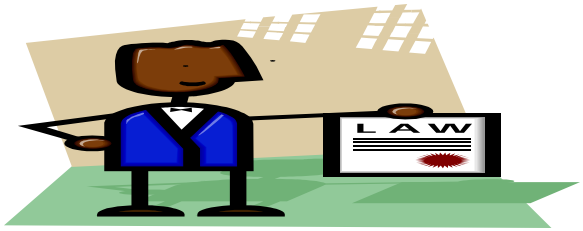
Higher risk of leaving your loved ones with insufficient income

***RCSBP :***

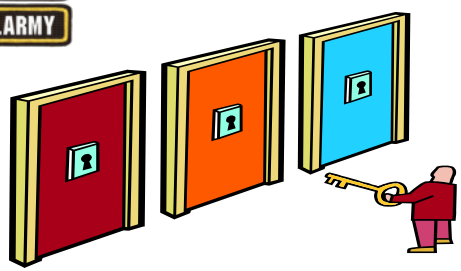
**Cost versus Returns**

What if I don't die before my non-regular retirement?

# WHAT IS RCSBP?




- Enacted by Congress in 1978
- Sole means for a RC Soldier with 20 years of qualifying reserve service for retirement to provide a portion of their retired pay to survivors if they die before Non-regular Reserve Retirement
- RCSBP and SBP are paid as a monthly annuity to eligible survivors
- RCSBP decision affects SBP coverage at retirement
- Certain elections constitute an early SBP decision
- If retired from active duty, RCSBP elections are voided and there is no RCSBP cost for coverage received



# ABOUT ELECTIONS

- **Must be made within 90 days of receipt of Notice of Eligibility (NOE)for Retired Pay (20 Year Letter) packet from the Human Resource Command St. Louis (HRC St. Louis) or State Headquarters**
- **Certain elections need spouse concurrence**
- **Certain elections effect your SBP election**
- **Failure to make an RCSBP election on or after**

**1 Jan 01 results in automatic full immediate, (Option C) coverage for dependents at time of**

# RCSBP Election Options

- All Elections made upon receipt of Notice of Eligibility to Receive Retired Pay (20 Year letter)
  - Option A:  No RCSBP Coverage with option to elect coverage when eligible to receive retired pay
  - Option B:  RCSBP coverage with deferred annuity when the RC Soldier would turn age 60
  - Option C:  RCSBP coverage with immediate annuity

# RCSBP Option A

- If Option A (Decline election until Age 60)
  - No RCSBP coverage
  - Pay no annuity if death occurs pre-reserve retirement
  - If no eligible beneficiary at election, may elect RCSBP within one year of first obtaining an eligible beneficiary
- Effect on Non-regular retirement SBP
  - Must make SBP election on DD Form 2656, Data for Payment of Retired Personnel
  - Pay SBP premium for coverage elected
- RCSBP cost
  - No RCSBP coverage no cost
- If nonregular retirement is prior to age 60 due to reduced age retirement, there is no SBP or RCSBP

# RCSBP Option B

- If Option B (Deferred Annuity)
  - RCSBP coverage
  - Annuity paid when RC Soldier would have qualified for non-regular retirement to elected beneficiary categories who are still eligible
  - Must maintain election prior to non-regular retirement
- Effect on SBP at non-regular retirement
  - RCSBP becomes SBP election

RCSBP cost when in receipt of retired pay

- Pay RCSBP premium for RCSBP coverage received
- Pay SBP premium for current coverage after receipt of retired pay

# RCSBP Option C

- If Option C (Immediate Annuity)
  - RCSBP coverage
  - Pay annuity immediately at RC Soldiers death
  - Must maintain election prior to non-regular retirement
- Effect on non-regular retirement SBP
  - RCSBP becomes SBP election

RCSBP cost

  - RCSBP premium for RCSBP coverage received
  - SBP cost for coverage after receipt of retired pay
  - RCSBP is more expensive than for Option B due to immediate payment of annuity

# 20 Year Letter

- Issued when RC Soldier attains 20 qualifying years of service
- Qualifying year is a complete year in which the RC Soldier earns 50 or more points
- Prior to 26 Apr 05, last 6 qualifying years of service for retirement must have been in the Reserves
- 15 year letter issued by NG only after Medical Board, NG Soldier asks for transfer to Retired Reserves, CG authorizes and publishes order. USAR requires HRC final approval.

# Six Election Categories

- **Spouse Only**
- **Spouse & Child**
- **Child Only**
- **Former Spouse Only**
- **FS & Child**
- **Insurable Interest**

# Spouse Option

- **provides annuity of 55% minus the RCSBP premium**
- **annuity paid forever (unless remarriage occurs pre-55)**
- **if remarriage ends, annuity reinstated**
- **increased annual by COLA**
- **taxable as an annuity**
- **RCSBP premiums stop when there is no eligible spouse or former spouse**

# Spouse & Child Option

- **spouse = primary beneficiary**
- **children are secondary beneficiary and receive the annuity *only if* spouse can't (pre-55 remarriage or death) *and* they are still eligible**
- **child cost is based on yrs age difference between Soldier and youngest child**
- **cost of child coverage - very low**
- **When no eligible children remain, Child SBP cost stops but RCSBP cost**

# Child Only Option

- **eligible until 18, or 22 if full-time, unmarried student**
- **unmarried incapacitated child – eligible forever (if condition was incurred pre-18 or 22)**
  - **Note: It is recommended you research the impact of SBP for a fully disabled child may have on other benefits the child has or will receive.**
- **cost based on age difference at time of election**
- **all eligible children covered at one cost**
- **when no eligible children remain, Child SBP cost stops but RCSBP cost continues**
- **cheaper than "spouse" due to finite benefit but costlier option than child when with spouse since child is primary beneficiary**
- **annuity divided equally among all eligible**

# *Advice--Seriously Consider Child Coverage!*

**Q: Why bother to cover my 21-year old son who graduates from college soon?**

**A: Because, if you elected Option B or Option C and did not elect RCSBP for an eligible child...**

- **you are "closing" the child category when there are eligible children for both RCSBP and SBP <u>forever</u>**
- **family complete? perhaps a step-, grand-, foster- or natural child is in your future**
- **incapacitation may occur while still eligible**

- **<u>SBP cost stops when no eligible children</u> remain but RCSBP cost continue**

# Former Spouse (FS) "Particulars"

- **FS coverage can be**:
  - **purely voluntary**
  - **incorporated into a written agreement**
  - **court-ordered**
- **If divorce prior to election:**
  - **If court Ordered, Soldier must elect FS or FS and child RCSBP at 20 year letter or could be held in <u>contempt of court</u>.**
  - **FS can provide HRC St. Louis divorce decree <u>plus</u> written request (DD Form 2656-10, Request for Deemed Election) for a deemed election within one year of the court order**
- **FS coverage can be changed if court order is amended or vacated by FS's death.**

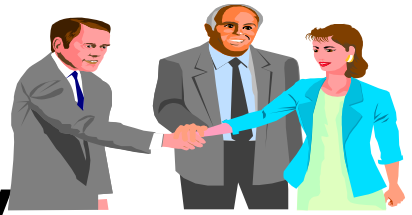
# “Insurable Interest” Option

- **Who Can Elect: unmarried Soldiers with no or one dependent child**
- **Eligible Beneficiaries: relative more closely related than cousin; or business associate w/financial interest in Soldier (proof needed)**
- **Base Amount: Must be full retired pay**
- **Cost: Very expensive option**
  - **RCSBP: Based on factor tables**
  - **SBP: 10% plus 5% for each full 5 yrs younger beneficiary is than Soldier (maximum 40%)**
- **Benefit: 55% of retired pay less RCSBP cost**
- **Loss of Beneficiary: May elect new beneficiary within 180 days of current beneficiary’s death.**

# RCSBP Spouse Concurrence

## A *"JOINT"* Decision For Married Soldiers

**Who . . .**



- **Elect Option A, decline RCSBP**
- **Cover less than full retired pay**
- **Elect "child only"**
- **Elect Option B, deferred annuity**

**It is the Soldier's election**

- **The spouse can only concur or non concur**

# Termination Feature

- **can terminate SBP after 2 years of ret.**
- **one-year window between 25th and 36th months after start of retired pay**
- **spouse concurrence required**
- **barred from future enrollment**
- **no refund of past premiums**
- **No termination of RCSBP because**

# RCSBP/SBP and Dependency and Indemnity Compensation (DIC)

- **SBP and DIC**
  - **SBP premiums are refunded to the spouse for any portion of SBP that is offset by DIC**
  - **RCSBP/SBP is offset dollar for dollar by DIC**
  - **Currently DIC is only payable if member's death is determined by the VA to be service connected**
  - **RCSBP/SBP provides annuity if death is not determined to be service connected**
  - **A court case allows surviving spouses authorized both SBP and DIC to draw both without offset if remarriage is after age 57**

# Special Survivor Indemnity Allowance (SSIA)

- SSIA is paid to spouses whose SBP annuity is fully or partially offset by DIC.
- SSIA will be paid to the surviving spouse if
  - entitled to DIC, receiving an SBP annuity either partially or completely offset by DIC; and SBP offset is at least equal to the SSIA
  - Payments will be paid in the following monthly amounts:
    - For months during fiscal year 2014, $150; 2015, $200; 2016, $275; 2017, $310
    - Ends 1 Oct 2017 unless extended by Congress

# No Beneficiary at 20 Year Letter?

- **Keep RCSBP literature**
- **Keep “Echoes”**
- **Contact nearest RC RSO for a new briefing as soon as eligible beneficiary is gained**
- **Decision whether or not to enroll new family members MUST be made within one year of gaining them**
- **New spouse becomes eligible at 1-year marriage anniversary and child becomes eligible at one year**
- **Submit request for SBP to HRC within one year if USAR or Retired Reserve and to State RSO for National Guard TPU Soldiers**
- **RCSBP change on a DD Form 2656-6, Election**

# Base Amount

- **amount of retired pay (in dollars) participation is based on**
- **minimum, by law = $300**
- **maximum, by law = full retired pay**
- **may choose any $$ amount between**

# Can I Tailor RCSBP To Meet *My* Needs? Yes….Think "Base Amount"

**Challenge: What base amount should I cover to meet our needs?**

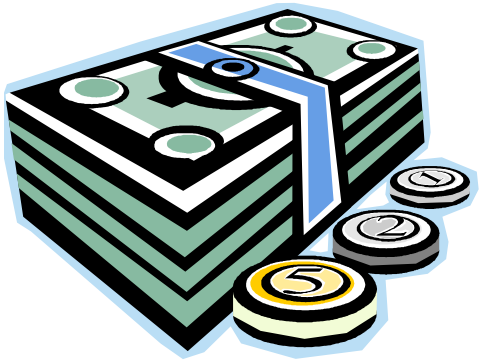
**Solution: Divide the goal amount by 55%.**

**Examples:**

**$1000 annuity -- choose $1818 as base**

**$ 500 annuity -- choose $ 909 as base**

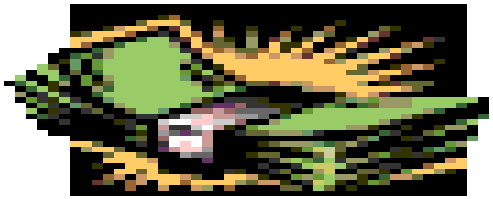
*The Annuity*



**Amount:**

- **Annuity is 55% of the base amount elected regardless of the annuitants age**

# RCSBP Cost Calculations



- RCSBP calculator based on retired pay and age at time of enrollment.
- RC retired pay based on retired grade, service longevity, and creditable retirement points.
- RC cost calculated based on factor tables determined by the DA Actuary
- RCSBP calculator available on **MyArmyBenefits** at **http://MyArmyBenefits.us.army.mil**

# "30-Year Paid-Up Provision"

- **effective 1 Oct 2008**
- **no further cost (but annuity payable)**
- **AFTER…**
  - **30 years of paying RCSBP/SBP Premiums (360 paymen**
- **AND**
  - **reaching age 70**

- **Note: Must make 360 RCSBP payments to be paid-up for RCSBP and 360 SBP payments to be paid-up for SBP and RCSBP**

# ***RCSBP Election and Active Duty Retirement***

- **Affect of RCSBP election on active duty retirement**
  - **RCSBP election has no affect on active duty retirement**
  - **Must make separate SBP election**
  - **There is no cost for RCSBP coverage already received prior to active duty retirement**

# *Life's Certainties?*

Civilians:

1--death

2--taxes

**Retirees:**

**3--Can't outlive retired pay**

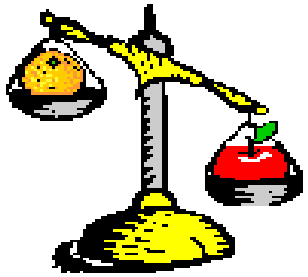
**Annuitants:**

**4--Can't outlive RCSBP/SBP annuity**

# RCSBP POSITIVES

- **Only way to provide an annuity based on your eligibility for retirement if you die prior to your nonregular retirement**
- **Tax-free premiums**
- **Inflation-adjusted annuity**
- **Level-term plan annuity of 55 percent**
- **“Paid-up” after 30 years paying premiums + age 70**
- **Annuitants cannot outlive RCSBP/SBP annuity**
- **Age, health, smoking, sex, lifestyle -- not considered**
- **Can only be changed by Congress**
- **Income safety net; peace of mind**

# Four Main Points When Comparing RCSBP and SBP to Life Insurance



- **It takes a surprising amount of insurance to do for the spouse what SBP will (based on averages).**
- **It will take a lot more insurance if the spouse outlives the retiree by the longest period of time.**
- **The amount of insurance needed over time rises due to inflation.**
- **Even though insurance may appear to be an inexpensive "alternative" *at retirement*, it's harder to obtain & increasingly expensive as you age.**

# HQDA's Advice To All Retiring Soldiers

**"Do not forfeit RCSBP without having full knowledge of what you are giving up."**

***(Chief, Army Retirement Services)***

# *For More RCSBP Information….*

***Log on to:***

http://soldierforlife.army.mil/retiremen

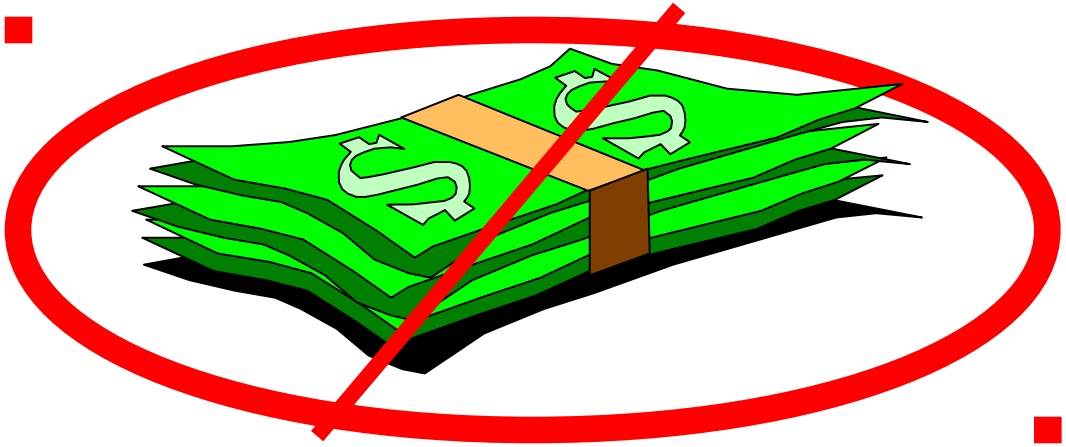
https://www.hrc.army.mil/site/index.as

http://myarmybenefits.us.army.mil/

***Contact:***

*Human Resources Command, 502-613-8950*

# THE BOTTOM LINE
## Without RCSBP



**There is no annuity if the RC Soldier dies prior to receipt of retired pay**